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16 May 1957

CURRENT INTELLIGENCE WEEKLY SUMMARY



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THE WEEK IN BRIEF

PART I

OF IMMEDIATE INTEREST

GOMULKA REASSERTS POLISH INDEPENDENCE Page 1

Gomulka's keynote speech to the ninth session of the Polish Communist Party central committee reaffirmed Poland's right and intent to follow the independent and moderate Communist program launched last October. Gomulka's firmness appears in part to have been based on Chinese support, since he paid special tribute to the Chinese for "developing the creative teachings of Marxism-Leninism" in some respects in a way "unknown in the practice of socialist construction in other countries." Gomulka probably will strengthen his hold on the party leadership by adding several of his close adherents to the politburo.

[REDACTED]

SUEZ CANAL ISSUE Page 2

France, alone in its continued boycott of the Suez Canal, has announced it will seek Security Council action to bring Egypt's terms closer to the "six principles" negotiated last October. This bid, like Premier Mollet's proffered resignation, may be an attempt to save face in dropping the boycott, but the French may still support Tel Aviv in an early test of Israel's right to passage through the canal and the Straits of Tiran. An Israeli-flag vessel or one under Israeli charter could appear at the northern entrance of the canal with little or no warning, but an Israeli ship which could test passage in the Gulf of Suez or Gulf of Aqaba is not likely to reach the Red Sea area much before the end of May. British ships have resumed use of the Suez Canal, and negotiations between Britain and Egypt on economic issues are to begin in Rome on 23 May.

[REDACTED]

INDONESIA Page 4

Tension is still high in Indonesia and the possibility of civil war remains, although the search for a compromise continues. Outstanding anti-Communist national leaders are reported either already in Central Sumatra or will soon go there. Should they support Lt. Col. Hussein of Central Sumatra, they would supply the high-level political backing he may have felt necessary before taking further steps toward the formal establishment of provincial autonomy.

[REDACTED]

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PART II**NOTES AND COMMENTS****USSR INTENSIFIES CAMPAIGN FOR NUCLEAR TEST BAN Page 1**

The USSR is making a vigorous attempt to focus world attention on its demand for a ban on nuclear tests and to place the onus for further testing on the West. The latest Soviet moves come at the conclusion of the most recent series of Soviet nuclear tests and just as new tests are begun by Great Britain and the United States. [REDACTED]

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SOVIET LEADERS RENEW BID FOR TOP-LEVEL CONTACTS Page 1

Premier Bulganin and party chief Khrushchev both expressed interest last week in renewing top-level contacts among the great powers. Khrushchev's statements suggested a preference for top-level bilateral US-USSR talks. This may have been aimed at increasing West European, and particularly West German, fears of a US-Soviet understanding at the expense of West German and West European interests. [REDACTED]

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USSR ADOPTS INDUSTRIAL REORGANIZATION PLAN Page 3

Khrushchev's scheme for reorganizing Soviet industrial administration was enacted into law by the Supreme Soviet last week. The organization law and constitutional amendments adopted by the Supreme Soviet introduced a few changes and clarified certain points in the plan. Final authority over industry will continue to be exercised by the USSR Council of Ministers, which can "suspend" decisions of the economic councils. [REDACTED]

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EGYPTIANS PREPARE FOR PARLIAMENTARY ELECTIONS Page 4

The Nasr regime's long-promised parliamentary elections, postponed for nine months because of the Suez crisis, are planned for early July. Although the functions of the new legislature were strictly circumscribed in the January 1956 constitution, the regime is taking both constitutional and extralegal measures to ensure election of a docile membership. [REDACTED]

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JORDAN SITUATION Page 5

25X1 [REDACTED] 25X1

[REDACTED] Jordan's

internal situation remains quiet, and countermeasures to reduce Egyptian influence inside Jordan are continuing.

25X1 [REDACTED]

INTERIM REGIME IN COLOMBIA Page 6

25X1 The five-man military junta which replaced president Rojas on 10 May has announced a program for restoring constitutional government and has appointed a cabinet, largely civilian in composition, which is apparently acceptable to the two major political parties. These and other steps to implement its program have won a measure of public confidence and helped restore order throughout the country, but the junta still faces serious political and economic problems. [REDACTED]

HONDURAN-NICARAGUAN DISPUTE Page 7

25X1 The danger of renewed fighting between Honduras and Nicaragua over their disputed border has lessened following a truce agreement between each government and the special committee of the Organization of American States. Tension is likely to remain high for some time, however, since either government would face grave domestic political risks if it made the concessions which would be required for a definitive settlement. [REDACTED]

NEW CRISIS IN HAITI Page 8

25X1 Pre-election tension in Haiti has erupted into a new wave of strikes and violence. If, as now demanded by supporters of five presidential candidates, the ten-man executive council should resign, there will be no legal formula for designating a new government, since the constitutional provisions for setting up a provisional government, twice disregarded, are considered inoperative. [REDACTED]

JAPANESE PRIME MINISTER MODIFIES STAND ON NUCLEAR WEAPONS Page 8

25X1 Prime Minister Kishi has modified the Japanese government's previous opposition to any form of nuclear weapons for Japan. His interpretation that the constitution permits possession of nuclear weapons for defensive purposes is probably the first step to obtain public acceptance of such armament and support for the present program for the development of guided missiles. [REDACTED]

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PHILIPPINE POLITICAL SITUATION Page 9

The unity of the ruling Nacionalista Party is threatened by the large number of aspirants for nomination in the November presidential election. A split is already developing between President Garcia and several high government officials who were close to the late Ramon Magsaysay. The opposition Liberal Party, aware of the Nacionalista's internal difficulties and confident that it has a number of good issues, is increasingly optimistic regarding its election prospects. [REDACTED]

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THE LONDON TALKS ON NIGERIAN INDEPENDENCE Page 11

Encouraged by Ghana's recent attainment of independence, Nigerian representatives will meet in London on 23 May with British officials to discuss Nigeria's demand for full independence within the Commonwealth in 1959.

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COALITION GOVERNMENT LIKELY IN DENMARK Page 12

Lengthy negotiations for a coalition government are likely as a result of the resignation of the governing Social Democratic Party following its losses in the Danish general election on 14 May. Pressure to make the coalition a broad one will be increased by the foreign exchange crisis and the need for drastic austerity measures. [REDACTED]

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ITALIAN CABINET NEGOTIATIONS Page 13

Adone Zoli, who agreed on 15 May to try to form a new Italian government, will probably seek to form a Christian Democratic cabinet, the participation of other parties having been almost ruled out by the 12 May decision of the Republicans not to join. Such a minority government would have to rule by the tolerance of other parties and would probably plan to serve only in a caretaker capacity until new elections are held. [REDACTED]

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PART III

PATTERNS AND PERSPECTIVES

REVIVED INTEREST IN EAST-WEST SECURITY PROPOSALS Page 1

New attention is being given by Britain and West Germany to various proposals for achieving German unification through Western security guarantees to the Soviet Union. British representatives at the Western working-level meetings now in session in Bonn have endorsed Chancellor Adenauer's recent suggestion that if a reunified Germany should choose to remain in NATO, the present eastern zone would be demilitarized. Recent Soviet pronouncements have tried to exploit the general Western feeling that some initiative on the problem must be shown. [REDACTED]

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MIDDLE EAST OIL DEVELOPMENTS Page 3

Middle East crude production is slowly increasing after falling from an all-time high of 3,872,700 barrels a day last October to 2,141,800 barrels a day in November, following the Suez crisis. Production on 1 March was still 26 percent below the October record. Production will continue to increase as greater numbers of tankers use the Suez Canal and as the pipelines are repaired, but it is not likely to reach the October high for many months. Recovery rates vary markedly within the area. [REDACTED]

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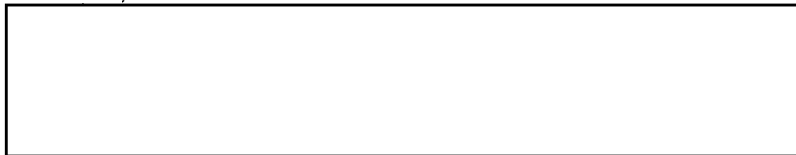
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SINO-SOVIET CAMPAIGN TO DEVELOP ASIAN-AFRICAN FRONTS . . . Page 7

The Sino-Soviet bloc since early 1956 has intensified efforts to create a network of Communist fronts throughout Asia and Africa. The basic objective of these fronts is to capture existing nationalist and neutralist sentiment and use it to forward the Communist aim of destroying Western influence in the area. Intellectuals and workers are the major targets of front efforts, focused at present on Egypt and India. The principal area-wide front organization will hold an Asian-African solidarity conference in Cairo in October, with the blessing of the Nasr regime. To date there has been little response from Black Africa.

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PART I

OF IMMEDIATE INTEREST

GOMULKA REASSERTS POLISH INDEPENDENCE

In his keynote speech on 15 May to the long-delayed ninth plenary session of the Polish Communist Party central committee, First Secretary Gomulka reaffirmed Poland's right and intent to follow the independent and moderate Communist program launched last October. He insisted "the road to socialism in different countries can take forms other than those of the road to socialism in the Soviet Union," and asserted that the various Communist parties need not agree, "that it is even impossible to do so." Gomulka reminded his listeners that all the Communist parties were not in agreement in appraising the events in Hungary. He stated that the "Russian road to socialism," even if it had avoided "the disease of the cult of personality," was probably not acceptable and certainly not necessary in all other countries.

Against the background of the polemical debate between Soviet and Polish writers during the past months that had clearly revealed the Kremlin's dissatisfaction with the course in Poland, Gomulka's reassertion of Polish independence appears to have been based in part on Chinese support for this course. Gomulka paid a special tribute to the Chinese theses of "the hundred blossoming flowers" as "a bold step forward, so far unknown in the practice of socialist construction in other countries."

Gomulka revealed a stubborn determination to establish his moderate Communist program, including the avoidance of

pressure on the peasants to join collectives. Instead he called for experimentation with new forms of peasant co-operatives. At the same time he attacked "alien elements" in the Peasants' Party on the ground that they were hostile to the Communist Party. He said "the development of capitalism in the countryside can and will be checked."

In reference to worker discontent over living conditions, he warned the workers not to strike, although he said they had the right to. He said there could not be further wage increases, but called instead for a ceiling on prices to prevent inflation. He sought to placate the workers, however, by promising greater efforts to improve the food supply.

Gomulka's speech revealed that church-party "coexistence" is envisaged for the indefinite future, a frank recognition that the "idealist view of the world" that is "alien" to the party's "scientific outlook" is not to be subjugated.

Gomulka made a strong plea for party unity, warning against the "revisionist" and "conservative" factionalism that had shaken the party to its depths since Poland's October revolution. That such a pronouncement was necessary is especially clear from the radical views of Communist intellectuals expressed since October, some of whom have virtually rejected Communism itself. Gomulka clearly reiterated his thesis that there shall be freedom of

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opinion within the party but that outside the party its members shall express only the majority views.

Gomulka is expected to strengthen his hold on the party leadership by adding to the politburo several of his close adherents, the most likely choices being Defense Minister Spychalski, Zenon Kliszko, a central committee member, and Deputy Interior Minister Moczar. Deputy Premier Nowak, a leading member of the Stalinist Natolin group, may also be added to win support for Gomulka's policies from this quarter.

On the whole, the Polish people will probably take heart from Gomulka's speech, seeing in it an indication that his independent and moderate course is to continue. Natolin machinations, Soviet criticism and shaky party controls on the local level have probably fostered doubts among many that Gomulka would long survive. Within the party, some uncommitted functionaries may be won over by Gomulka's firm position, but the liberal elements will not receive much comfort from his stern warning to them to hew to the party line.

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SUEZ CANAL ISSUE

France, alone in its continued boycott of the Suez Canal since Britain and other SCUA members have decided to resume passage on Egypt's terms, has made a "last appeal" to the UN Security Council to seek greater Egyptian compliance with the "six principles" adopted by the council last October.

While this, like Premier Mollet's spectacular offer to resign, may be a tactical move designed to save face in ending the canal boycott and to divert attention from pressing domestic problems, France could still seek, in co-operation with Israel, to force a new showdown with Egypt over the issue of Israel's right of passage through the canal or the Tiran Straits to the Gulf of Aqaba.

French Position

As late as 14 May, a French Foreign Ministry spokesman stressed that France would con-

tinue to boycott the canal regardless of what other Western powers do.

Mollet, Foreign Minister Pineau and Defense Minister Bourges-Maunoury are bitter over the announcement that London would use the canal again. The rest of the cabinet is split, however, and businessmen are perturbed over the official French position. They point out that French ships would lose freight to foreign rivals, and that French goods would have to be shipped under foreign flags, which would further deplete France's foreign exchange, already in short supply. Experts in Paris reportedly consider the present official position too quixotic to last.

Press reports from France agreed with Israeli statements that French-Israeli talks have been held on Tel Aviv's plan to run a ship through the Suez Canal, but the French Foreign Ministry

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said it had received assurances that no Israeli vessel would attempt to pass through Suez, although one would soon attempt to pass through the Tiran Straits to the Gulf of Aqaba.

The only previous Israeli effort to send an Israeli-flag ship through the canal ended in Egypt's detaining and later impressing the vessel, the Bat Galim, into the Egyptian navy. When this matter was brought before the UN Security Council in late 1954, action was blocked by a Soviet veto. A previous UN resolution, of September 1951, called on Egypt to grant freedom of passage to international commercial shipping and goods bound to or from Israel. This resolution did not deal specifically with the question of Israeli-flag shipping, and its validity has in any event been denied by Egypt.

Israel has a merchant fleet of over 30 vessels from which it could choose one, presumably one of those in the older categories, to make the test. As of 15 May, 13 of these vessels were in the Mediterranean and could appear at the northern entrance of the canal within two days. The Israelis may also, as they seem to have intended originally, charter a foreign-flag ship to make a preliminary test.

Israeli Test Threat

Israel's announcement that it intends to test soon its claim to freedom of passage of the canal is a reiteration of previous official Tel Aviv statements on this subject. The Israelis have still given no specific indication of when they intend to make the test; a Western journalist reportedly was invited last month to join other prominent newsmen, radio correspondents and cameramen who were to be assembled on board an Israeli test ship to give maximum publicity to the attempt.

Press reports on 16 May stated that Israel had chartered a Norwegian freighter, the Mars, for this purpose. The Mars was mentioned last March in this connection, and made several voyages through the canal under Israeli charter before the Egyptian-Israeli hostilities last fall.

The only Israeli vessel known to be south of the canal is the Atlit, a motor ship of under 1,000 tons which departed Haifa on 6 April declaring for Eilat, at the head of the Gulf of Aqaba. This vessel arrived

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at Cape Town on 7 May, and could be in Djibouti as early as 17 May. It is more likely, however, to arrive in Djibouti around 28 May. From Djibouti it could easily be diverted toward the canal.

The Egyptians recently relaxed the extraordinary defensive measures they had taken last month in the vicinity of the canal, and there has been no official reply to the latest Israeli statement. However, it seems doubtful that Cairo would lift its blockade at this time.

British Attitude

British ships are going through the Suez Canal, but Prime Minister Macmillan declared on 13 May that efforts will be continued to obtain a more satisfactory final settlement from Egypt. Regarding Israeli shipping, Foreign Secretary Lloyd reiterated on the same day that London believes Israeli ships are entitled to use the canal and that their claim to do so should be settled legally.

A special sterling account has been established into which canal dues and port fees will be paid in sterling and from which Egypt can withdraw freely. British and Egyptian officials will meet in Rome on 23 May to discuss resumption of economic relations, and the British have already begun to release some of the blocked Egyptian accounts.

Egypt may now draw on these funds to make payments on contracts entered into with British shippers prior to the canal seizure. However, Macmillan stated that any further releases will depend on reaching "satisfactory arrangements" with Egypt. The British will seek compensation primarily for sequestered British property in Egypt.

London believes the Suez Canal Users' Association should continue only as a consultative body, but could be useful as a clearing house of information, particularly on the acceptability of the various canal use procedures put into effect by Egypt.

The Macmillan government's acceptance of Nasr's terms for use of the canal is regarded in Britain mainly as the final stage in the British "climb-down" on the Suez affair. A majority of Tory Parliament members as well as most of the British press consider that there was no other alternative. The withdrawal of eight Conservative members of Parliament from the party will probably have no more effect on the government's stability than did the resignation of Lord Salisbury from the government. Emotional frustration among Conservative supporters throughout the country may provoke, however, another flurry of vocal criticism, with the UN and the United States as the main targets.

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INDONESIA

Tension is still high in Indonesia and the possibility of civil war remains, although the search for a compromise continues. Regional leaders are reported incensed by such

recent government actions as the arrest in Djakarta of Sumatran officials and a new attempt to relieve Lt. Col. Samual, the commander in East Indonesia. Provincial reaction has also

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been highly unfavorable to Sukarno's 8 May decree establishing a national "advisory" council and Voroshilov's visit to Indonesia.

The government issued a statement on 12 May noting that it "cannot allow the existence of movements which endanger the unity of the state and the Indonesian people." The arrests of antigovernment civil and military personnel continue, and Premier Djuanda has stated that his cabinet would not submit to a vote of confidence in the recently reconvened parliament. Despite high feeling in the provinces, however, the premier is visiting East Indonesia in an attempt to lay a basis for a future settlement.

A new note has been injected in the situation by reports that outstanding anti-Communist national leaders are either already in Central Sumatra or will soon go there. They are former vice president Hatta, Masjumi chairman Natsir, national police chief Sukanto and the sultan of Jogjakarta.

Next to President Sukarno, Hatta and the sultan are the two most popular leaders in Indonesia. They can be expected to advise Lt. Col. Hussein, commander in Central Sumatra, and may provide him with the high-level political support he apparently has been awaiting before taking further steps toward the formal establishment of provincial autonomy.

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PART II**NOTES AND COMMENTS****USSR INTENSIFIES CAMPAIGN FOR NUCLEAR TEST BAN**

The USSR is making a vigorous attempt to focus world attention on its demand for a ban on nuclear tests and to place the onus for further testing on the West. The latest Soviet moves have been accompanied by a series of official statements and a sharp increase in Soviet propaganda on the nuclear test issue.

Gromyko's speech to the Supreme Soviet on 10 May--one of the strongest official Soviet statements on nuclear tests--suggests that Moscow believes its present position on this issue is finding increasing sympathy with a growing number of individuals, groups and governments. His categorical statement that the USSR expects Great Britain and the United States to achieve a rapprochement with the Soviet Union on a nuclear test ban suggests that Moscow continues to regard an agreement on this issue as a precondition for either a partial or general disarmament agreement. Gromyko did not reiterate, however, a previously enunciated Soviet precondition for an agreement--a pledge by the great powers not to use nuclear weapons.

In the London disarmament talks, Soviet chief delegate Zorin also pressed for a test ban in his reply to a new British proposal for the registration of tests. In a strong denial that the British plan

would improve the present situation, Zorin told the subcommittee on 8 May that it is "essential to treat the test issue as a priority measure apart from the general problem of atomic and hydrogen disarmament and to settle it without delay." He insisted that a ban on testing would also prevent the development of nuclear weapons by other countries.

Another move in the Soviet campaign for a test ban was the Supreme Soviet appeal to the British Parliament and the American Congress proposing that an "interparliamentary committee" be formed for the "exchange of opinion on possible ways for stopping the testing of the atomic and hydrogen weapons and for banning them absolutely."

Moscow on 9 May again called on Japan to join with the USSR in an appeal to the British and American governments to conclude an agreement for either a permanent or temporary cessation of tests. The Gromyko and Zorin speeches come at the conclusion of the latest series of Soviet nuclear tests and just as new tests are begun by Great Britain and the United States. By pressing the test issue, Moscow is attempting to place the United States and Great Britain in an increasingly vulnerable position in the eyes of the world.

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SOVIET LEADERS RENEW BID FOR TOP-LEVEL CONTACTS

Premier Bulganin and party chief Khrushchev both expressed interest last week in renewing top-level contacts among the

great powers. In his speech at a Soviet-Mongolian "friendship meeting" in Moscow on 15 May, Bulganin noted that a "certain

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easing of international tension" has created a "favorable situation" for a renewal of personal contacts between statesmen. He said the leaders of East and West have many things to discuss, "provided, of course, these meetings are properly prepared in advance."

In a two-hour interview with the managing editor of The New York Times on 10 May, party chief Khrushchev stated that another summit conference would be "useful," provided it is carefully prepared. He stressed that such a conference would be possible only if no preliminary conditions are advanced by the West, and listed European security and the elimination of international tension as the two principal questions that should be discussed. He also stated that the USSR is "always prepared" to discuss disarmament issues such as prohibition of nuclear weapons and a ban on tests.

Khrushchev repeatedly stressed the special responsibility of the United States and the USSR in reducing tensions and maintaining peace, indicating a preference for top-level US-USSR talks. He said he would like to visit the United States for talks with President Eisenhower and stated, "We believe that if the Soviet Union could reach an agreement with the United States, it would not be difficult to reach an agreement with Britain, France and other countries."

Soviet spokesmen have made frequent gestures in recent weeks designed to indicate Moscow's desire to restore contacts with Western leaders. As early as 19 February, Khrushchev told Joseph Alsop that the Soviet leaders were anxious to resume "normal diplomatic relations," including US-USSR discussions

at the "highest level." There have been several hints that Moscow would like to have great-power discussions on Middle East problems, and Soviet deputy premier Mikoyan told Austrian officials on 24 April that ways to a detente with the West "will simply have to be found."

The Soviet leaders apparently believe that expressions of interest in another summit conference will help offset the damage to their coexistence line inflicted by the suppression of the Hungarian revolt and by Moscow's actions in the Suez crisis. There are some indications, however, that they have reservations about the wisdom of getting involved in new top-level negotiations on key European questions, particularly the status of Germany and the East European Satellites. They may fear that the Western powers would make new proposals on Germany and European security aimed at exploiting the weakened Soviet position in Eastern Europe and at blocking Soviet diplomatic efforts to detach West Germany from the NATO alliance.

Khrushchev in his 10 May interview attached considerable importance to the need for careful advance preparations for a summit conference. He noted that in the absence of such preparations, "the meeting would not be of due benefit and the conference would only cause disappointment both to the participants...and to the peoples of the countries they represent." He also stated that "a new meeting should produce more results than the meeting in Geneva" at which "the partners in the talks were pursuing delaying tactics."

Marshal Zhukov seemed to reflect Khrushchev's caution and skepticism in his interview with American journalists on 4

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May in which he stated that "under present circumstances, it is hardly likely that good results can be obtained" in talks on German reunification and European security. Khrushchev firmly excluded the German question from any new great-power conversations. "This question," he said, "can be solved only when Adenauer meets Grotewohl....It will be decided by the Germans themselves."

Khrushchev's emphasis on the special responsibility of the United States and the USSR and his apparent effort to in-

dicating a preference for bilateral talks with the United States may have been aimed at increasing West European, particularly West German, fears of a US-USSR understanding at the expense of West German and West European interests. Moscow is probably aware that its proposal in January 1956 for a US-USSR treaty of friendship and co-operation produced considerable uneasiness in West Germany and that the United States might come to some arrangement with the USSR which would perpetuate the division of Germany.

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USSR ADOPTS INDUSTRIAL REORGANIZATION PLAN

Khrushchev's scheme for reorganizing Soviet industrial administration was speedily adopted at the Supreme Soviet session last week. After only two days of debate, the Supreme Soviet appointed a high-level commission to draft amendments to the proposed law and the constitutional amendments required by it. A day later the Supreme Soviet heard the commission's report, terminated debate, passed the reorganization law and amended the constitution.

The composition of the 65-man drafting commission exemplified the predominance of the party's role in the reorganization scheme. It was headed by Khrushchev and consisted predominantly of party administrators rather than government officials. Except for party presidium member Kaganovich, none of the ministers whose portfolios are being abolished as a result of the reorganization was included. Khrushchev delivered the commission's report to the Supreme Soviet on 10 May.

The organization law and constitutional amendments adopted by the Supreme Soviet introduced a few changes and clarified certain points in the plan. The proposal to retain some industrial and construction ministries in the union republics was dropped as properly within the competence of the republics. From Khrushchev's remarks on this point it appears likely that the Azerbaidzhan Republic will retain only the Ministry of Oil Industry and the Russian Republic will retain only the Oil, Lumber, and Paper and Wood Processing Ministries. Republic Supreme Soviets are to meet later this month to decide this question and also to form the economic administrative districts and appoint the Councils of National Economy called for by the law.

The authority of these councils is more sharply defined than heretofore. They are to be directly subordinate to the appropriate republic council of ministers which has the authority to countermand their decisions. Central control and

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leadership will be exercised by the USSR Council of Ministers through the republic governments. There is thus little opportunity for the tendencies toward "localism," which might arise in an economic district, to weaken central control.

Khrushchev, in his concluding speech, said it was necessary to draft measures calling for strict responsibility by the leaders of enterprises and members of the economic councils. He added that it may also be necessary to establish a system under which financial penalties would be imposed on those guilty of causing losses to the state. Those who undermine state dis-

cipline are to be relieved of their posts and demoted.

The tone of these statements contrasts with the encouragement of criticism during the discussion of the reorganization proposals prior to and during the Supreme Soviet session. With the legal basis for reorganization established, the regime is turning its attention to the problems involved in converting industrial administration to the new structure. A multitude of specific and detailed decisions are yet to be made. On these decisions will depend the long-range effects of the reorganization. [REDACTED]
(Concurred in by ORR)

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EGYPTIANS PREPARE FOR PARLIAMENTARY ELECTIONS

The first step in selecting Egypt's long-promised parliament has been taken, and the Nasr regime is using both constitutional and extralegal means to ensure election of a docile body. Applications for candidacies are being accepted between 8 and 18 May. They will then be reviewed until 3 June by the Executive Committee of National Union, an improvised body, and approved candidates will be placed on the ballot in early July. The parliament's first session is scheduled for 22 July.

Election of a parliament was provided for in the January 1956 constitution, a document which itself was four years in the making, and the elections were originally scheduled for last November, but were delayed by the Suez crisis. Legislation by executive decree of Nasr and his cabinet presumably should end when parliament convenes, but it is clear that the regime has no intention of risking a real loss of control.

The National Union, a constitutional device which the Nasr regime is using to prevent the formation of political parties, will have its executive committee handpicked by Nasr and will be able to eliminate "undesirable candidates" -- anyone suspected of anti-regime sympathies. Some of the more obvious opponents have been barred by a recent law prohibiting the candidacy of those whose property has been confiscated or who have been convicted of crimes against the state.

Another law, reported as Nasr's hasty response to an alarming number of Communist applications for candidacies, places further control in the hands of the regime. It authorizes the disqualification of any candidates liable to "administrative custody," which could include anyone under arrest, house arrest, or surveillance. Large numbers of dissidents, both civil and military, have been arrested or intimidated. The arrests,

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so far limited to relatively minor figures of the prerevolution parties, serve as warnings against attempts to organize opposition. The regime appears to know its enemies and can take effective action against them.

If any anti-Nasr elements do manage to secure nominations, they will probably be restricted largely to rural or provincial areas, although there, too, the government is reported to have taken the precaution of

appointing new local governors for screening purposes.

While there are signs of discontent in Egypt, as there have been since the Suez hostilities, the regime's basic problem is still to create a grass-roots political machine to provide itself with a stable base. Until this problem is solved, Nasr and his associates must continue to press for mass participation in the regime's version of political life, as well as to repress hostile elements. [REDACTED]

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JORDAN SITUATION

decisions the government will soon have to make is the length to which it wants to go in its anti-Egyptian and anti-Syrian propaganda campaign. There have been some recent indications, principally from articles in the controlled press, that Jordan's leaders might be having second thoughts, fearing the consequences of an open break in Arab "unity," although they appear to remain convinced of the necessity of continuing measures to reduce Egyptian influence. In the latter category, the military governor of eastern Jordan has taken up the passports of Egyptian teachers and given the teachers one week to leave the country. [REDACTED]

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Ambassador Mallory in Amman has felt that one of the basic

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INTERIM REGIME IN COLOMBIA

The five-man military junta which replaced president Rojas on 10 May has announced a program for restoring constitutional government and has appointed a cabinet, largely civilian in composition, which is apparently acceptable to the two major political parties. These and other steps to implement its program have won a measure of public confidence and helped restore order throughout the country, but the junta still faces serious political and economic problems.

The junta, headed by the former war minister and including four other military officers who held prominent posts in the Rojas regime, announced a 14-point program on 10 May calling for rule by the junta until the end of the present presidential term in August 1958; civilian participation in the government; restoration of freedom of the press; and free presidential elections in 1958.

Opposition leaders and the cardinal primate of the Catholic Church immediately appealed for public support of the junta, while the joint presidential candidate of the two major parties--selected last April to oppose Rojas' re-election--stated that the junta's program was in substantial agreement with the opposition's earlier program to restore constitutional

government. The junta has begun to replace Rojas' departmental governors, relax censorship, and permit long-silenced anti-Rojas newspapers to resume publication.

The new cabinet, appointed 11 May, includes ten civilians--reportedly five Liberals and five Conservatives--and three military, one of whom retained the post he formerly held under Rojas. None of the civilians in the cabinet, who were selected after consultation with party leaders, is known to have been prominent in the joint Liberal-Conservative movement against Rojas. This suggests that party leaders plan to resume their traditional rivalry in the projected 1958 elections and that the key leaders wish to remain free of interim governmental responsibility in order to enter the campaign. They may continue a degree of bipartisan unity, however, to ensure that the junta carries out its promise of elections in 1958.

The interim regime, which is temporarily retaining emergency powers under the state of siege decreed in 1949, is confronted by potentially serious political and economic problems. The unnatural unity of the rival parties--born of the negative objective of ousting Rojas--may disintegrate, thus obstructing their full co-operation

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with the new regime. Moreover, the nation faces a balance-of-payments problem which caused the former government to initiate an austerity program. The continued effectiveness of the austerity program requires the

support of business groups, whose economic interests reportedly are being affected adversely. As under Rojas, the business attitude may create a serious political complication for the new regime.

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HONDURAN-NICARAGUAN DISPUTE

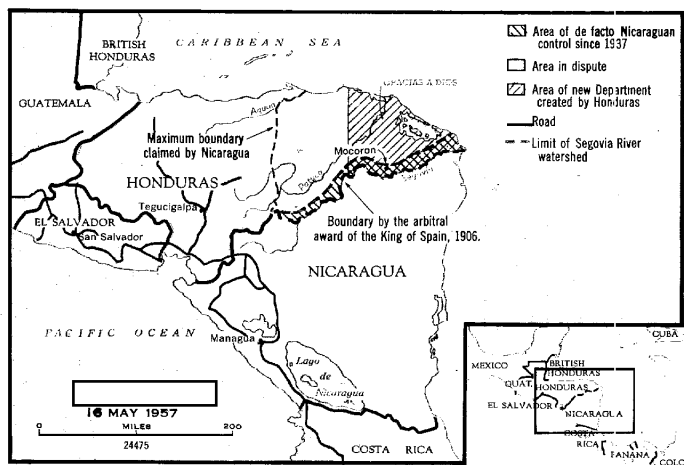
The danger of renewed fighting between Honduras and Nicaragua over their disputed border has lessened following a truce agreement between each government and the special committee of the Organization of American States (OAS). Tension is likely to remain high for some time, however, since either government would face grave domestic risks if it granted the concessions required for a definitive settlement.

The special OAS committee returned to Washington after the truce agreements of 10 May had gone into effect. It left behind a team of military observers to help implement the truce, which pledges each side to demobilize reserves and volunteers and withdraw troops from frontier stations, leaving only normal border patrols. The next step will require agreement on methods to settle permanently

the century-old dispute. Public feeling is so strong in each country that concessions by either government could dangerously weaken it. Moderate Honduran leaders, aware of the maneuvering of a military clique to increase its influence in the government, feared an upheaval after signing even the preliminary cease-fire agreement on 5 May.

The case may eventually be arbitrated, perhaps by the International Court of Justice, if both sides can agree on terms of reference to accompany submission of the dispute to an arbitral body. Prospects for even this limited agreement seem dim at the moment. Nicaragua, for example, now fears that Honduras may equip Nicaraguan exiles for an attempt to oust the Somoza regime.

The governments of Guatemala, El Salvador and Costa Rica have been alarmed at the setback to the ideals of Central American economic integration and eventual political union. In an attempt to help settle the dispute, they have secured Honduran and Nicaraguan agreement to send representatives to a Central American conference in Antigua, Guatemala, on 27 May. Though admitting that the chance of successful negotiations in Antigua is remote,

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representatives of El Salvador and Costa Rica have expressed some hope that a border settlement might be reached as part

of a larger agreement for the economic development of the disputed area by all five countries. [REDACTED]

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NEW CRISIS IN HAITI

Pre-election tension in Haiti has erupted into a new wave of strikes and violence which threatens to reduce the country to anarchy. Supporters of five presidential candidates have demanded the resignation of the recently installed 10-man executive council, and there is no legal formula for designating a new government, since the constitutional provisions for setting up a provisional government, twice disregarded, are considered inoperative.

Disturbances broke out when the five candidates accused two others--Louis Dejoie and Daniel Fignole--of using their influence over the council to rig the elections, which are now scheduled for 16 June. Dejoie and Fignole have virtually controlled the government

since 23 April, when the three appointees of candidate Francois Duvalier withdrew from the executive council. If the council is forced to resign, Dejoie and Fignole will have lost considerable prestige and probably will be unable to retain control over the government.

The army, traditionally the key to stability in Haiti, has already been weakened by internal dissension and popular opposition to chief of staff General Leon Cantave, whose efforts to replace the council by a military junta failed early in May. Although a military junta apparently offers the best chance for stability, it would probably lack popular support unless Cantave is replaced by a less controversial chief of staff. [REDACTED]

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JAPANESE PRIME MINISTER MODIFIES STAND ON NUCLEAR WEAPONS

Prime Minister Kishi has deliberately modified the Japanese government's previous opposition to any form of nuclear weapons for Japan. In response to Socialist Diet interpellations on 7 and 14 May, he stated that Japan could possess nuclear weapons for "defense against external aggression" without violating the constitution.

Having experienced atomic bombing in World War II, the radioactive dusting of a Japanese fishing boat in 1954, and continuing fallout from Soviet and American tests, the Japanese are highly sensitive on nuclear matters and strongly oppose nuclear weapons. Successive Japanese governments have bowed to popular pressure on

this subject. Prime Minister Hatoyama in 1955 had to withdraw his suggestion that nuclear weapons might be admissible if their acceptance were "the only way to maintain peace."

Kishi's stand may indicate a trend toward positive government action to persuade the public that nuclear capabilities are necessary for Japan's defense. It will also lead to sentiment favoring the development of guided missiles. The prime minister may believe that the prospect that Japan may eventually possess modern weapons will counter public antipathy in the same way that interest in the initiation of a Japanese atomic energy program reduced popular reaction to the US nuclear tests in 1956.

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Kishi, presumably to minimize popular reaction, emphasized that the government as yet does not intend to arm Japanese forces with atomic weapons and that he would reject any proposal to station American forces equipped with nuclear weapons in Japan. His statement did not, however, restrain criticism from the press and the Socialist Party.

A columnist in a leading paper accused Kishi of losing his head over his rising popularity, and other newspapers charged him with trying to create a favorable impression in Washington. The Socialist Party executive committee decided to initiate a nationwide

campaign against equipping Japan's forces with nuclear arms.

Kishi's stand conforms to the thinking of many conservative leaders that Japan's defense efforts should stress the most advanced weapons. Barring circumstances which might agitate Japanese popular opinion on the sensitive nuclear issue, the furor over Kishi's statement probably will calm down. Since the Socialists hold enough seats in the Diet to block any attempt to modify the disarmament clauses in the constitution, Japan apparently will continue to base its rearmament on a liberal interpretation of the constitution, rather than risk an amendment.

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PHILIPPINE POLITICAL SITUATION

The unity of the ruling Nacionalista Party is threatened by the large number of aspirants for nomination in the November presidential election. A split is already developing between President Garcia and several high government officials who were close to the late president Magsaysay, and wish to maintain political influence through the Spirit of Magsaysay Movement (SMM).

On the theory that all candidates--for congressional positions as well as the presidency--are anxious to obtain the party's endorsement, the Nacionalista executive committee recently agreed not to hold its nominating convention until midsummer, later than usual. By this action, the committee apparently hopes to minimize the possibility of defections by those who fail to be nominated. In addition, a series of pre-convention caucuses are also to be held in order to maintain party unity. According to one

presidential contender, however, a meeting of party president Rodriguez, President Garcia, Senator Laurel and other possible candidates failed to reach an agreement for consolidating behind a single candidate.

With the old guard Nacionalistas still split, President Garcia lacking in popular appeal, and the independent candidacy of Senator Recto likely to attract some Nacionalista followers, younger politicians remain hopeful of building up a candidate from their ranks. Several officials associated with the SMM, for instance, offered to resign from the government when their "disloyalty" to the new president was criticized by one of Garcia's campaign managers.

More recently, the Philippine House of Representatives applied pressure on them by eliminating from the new budget funds for the salaries of certain cabinet members or for the

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agencies they head. The American embassy in Manila suggests that this congressional action, which resulted in the resignations of Labor Secretary Adevosio and another administrator, may have been co-ordinated with Garcia. The move could backfire, however, since the agencies affected are principally those administering Magsaysay's reform and social welfare projects.

Although certain SMM members hope to make the movement a formal political party, they are not firmly united in support of former customs commissioner Manuel Manahan, who is campaigning for the presidency under the SMM label. One faction, led by Under Secretary of Defense Crisol, has pledged to support the re-election of President Garcia. Another

faction hopes to join the opposition Liberal Party, possibly obtaining the Liberal vice-presidential slot for Manahan or another SMM member.

The Liberal Party has announced that its nominating convention will begin on 2 June. Former house speaker Jose Yulo still appears to be the party's presidential candidate. The Liberals, aware of the internal difficulties of the Nacionalistas, are increasingly optimistic over their chances. They also believe they have a number of good "issues." Chief among these is the Nacionalistas' effort to suppress any investigation of charges that government officials have been accepting bribes to grant permanent residence to some 2,400 Chinese political refugees. [REDACTED]

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THE LONDON TALKS ON NIGERIAN INDEPENDENCE

Encouraged by Ghana's recent attainment of independence, Nigerian representatives will meet in London on 23 May with British officials to discuss Nigeria's demand for full independence within the Commonwealth in 1959. Several years ago Britain promised such a conference for 1956, but it was not held because of a political crisis in one of Nigeria's three main regions. Agreement on the form of a national government has seemed virtually impossible until recently because of the regional rivalries in Nigeria.

Nigeria is both the largest and most populous area in Britain's colonial empire and has more than six times the population of Ghana. It has parliamentary institutions and already enjoys a high degree of political autonomy.

The Moslem north, comprising half of Nigeria's 32,000,000 people, is economically undeveloped and ruled by politically conservative emirs who are traditionally suspicious of the south and rely on Britain for support. The two south-

ern regions, inhabited by partly Christianized and Westernized natives, are economically and politically more advanced and eager for full independence. The serious cultural and economic differences between north and south are compounded by sharp political rivalry between the regional leaders.



As long as Britain maintains its control over Nigeria's defense and foreign policy, these regional rivalries can be reasonably well contained under the present federal constitutional structure. Rival political leaders have been most active in the regional legislatures, but the prospect of independence has focused their conflicting ambitions

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increasingly on the federal political scene. Each of the regional prime ministers--Dr. Azikiwe of the Eastern Region, Chief Awolowo of the Western Region and Alhaji Ahmadu of the Northern Region--has won a regional election within the past year and will have strong local support in any scramble for power in a future federal Nigerian government.

Despite this prevailing undercurrent of disunity, the regional leaders of Nigeria have met within the past two months to frame their demands and adopt a common front; moreover the Federal House of Assembly's resolution demanding independence in 1959 was unanimous. The leaders may be able to maintain their unity during the conference in order to press London for the fastest

progress toward independence, but their co-operation is likely to be short-lived. If discussion of individual issues proves the alliance firm, London presumably will be willing to go along with Nigeria's demands, in view of its established policy of encouraging independence of colonies as soon as feasible.

Difficult constitutional issues must be solved involving the division of authority between the federal and regional governments, the method of selection of a Nigerian prime minister, the protection of alien tribal groups within the regions, and such problems as guarantees on the use of transportation facilities and the allocation of revenue to the regions.

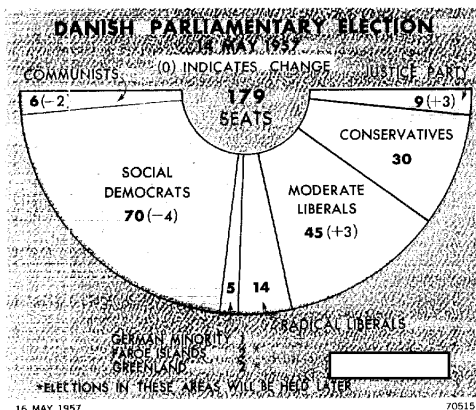
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COALITION GOVERNMENT LIKELY IN DENMARK

Lengthy negotiations for a coalition government are likely as a result of the resignation of the governing Social Democratic Party following its losses in the Danish general election on 14 May. Because of their gains, the Moderate Liberals (Agrarians) will probably have the first opportunity to form a government, but the new party alignments virtually exclude any majority coalition of either the right or the left.

The small center and neutralist Radical Liberal Party, which continues to occupy a strategic position, is disinclined to co-operate with the Conservatives, a step necessary for the Moderate Liberals to assemble a majority coalition of the right. On the other hand, a Radical Liberal alliance

with the Social Democrats would no longer command a majority. Although a minority government by either side remains a possibility, the most likely outcome seems a broad coalition neither leftist nor rightist in character.



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Pressure for such a coalition will be increased by the general recognition that any new government will have to take politically unpalatable measures to force the country to live within its economic means. Over the past few months, extensive imports and falling prices on agricultural exports have produced a foreign exchange crisis which threatens to become more severe. The import surplus for the first two months of 1957 was almost three times

that of the same period for 1956, and the net foreign exchange deficit of the National Bank reached a new high of \$54,000,000 at the end of April.

Danish foreign policy is unlikely to be affected by the composition of the new government. An economic austerity program would necessarily include at least token cuts in defense expenditures, and the Radical Liberals can be expected to press for more substantial cuts. [REDACTED]

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ITALIAN CABINET NEGOTIATIONS

Adone Zoli, who agreed on 15 May to try to form a new Italian government, will probably seek to form an all-Christian Democratic cabinet, the participation of other parties having been almost ruled out by the 12 May decision of the Republicans not to join. Such a minority government would have to rule by the tolerance of the other parties and would probably plan to serve in a caretaker capacity until new elections are held.

The 69-year-old premier-designate was closely identified with the policies of De Gasperi, Italy's leader in the first postwar decade, and succeeded him as president of the Christian Democratic Party in 1954. A lawyer by profession, Zoli has been a senator since 1948. He was minister of justice from 1951 to 1953, and was made budget minister in February 1956. [REDACTED]

premier Giuseppe Pella, who is personally popular and has had considerable experience in foreign affairs, is a strong candidate to head the Foreign Ministry. Because the interior minister supervises elections, it seems likely that the incumbent,



ZOLI

Fernando Tambroni, will be replaced by a stronger figure, possibly Segni's defense minister, Paolo Emilio Taviani. According to Christian Democratic party secretary Fanfani, some cabinet posts may be filled by technicians without party affiliation. [REDACTED]

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Hard bargaining over specific cabinet posts is likely before Zoli is in a position to submit his government for confirmation by each house of parliament in turn. Former

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PART III

PATTERNS AND PERSPECTIVES

REVIVED INTERESTS IN EAST-WEST SECURITY PROPOSALS

Various proposals for achieving German unification through Western security guarantees to the Soviet Union are receiving new attention in Britain and West Germany. At the Western working-level meetings now in session in Bonn, British representatives have endorsed Chancellor Adenauer's recent suggestion that if a reunified Germany chose to remain in NATO, the present eastern zone should be demilitarized. Recent Soviet pronouncements have tried to exploit the general Western feeling that some initiative must be shown.

There is wide acknowledgment in Western Europe that prospects for agreement are slim. Pessimism over Soviet terms for German unification has prevailed since the big-four foreign ministers' conference in November 1955. Although German attention now centers on the role of nuclear weapons in defending Germany, the German public's desire for reunification is such a potent political force that politicians in Germany and elsewhere feel they must show they are making the greatest possible efforts to bring it about. According to opinion polls, the German public considers reunification more important than continued alliance with the West.

The unrest in the Satellites has underlined the popular and official belief that a Hungarian-type revolt will probably break out in East Germany eventually, and that this would impose intolerable strains on the peace of Europe. Support for this belief appeared in Foreign Minister Brentano's statement at the NATO meetings on 2 and 3 May that if the Soviet Union tried

to suppress a revolt in East Germany, there would be great danger of the fighting spreading and involving West Germany, which would involve NATO.

The common denominator of present plans is the desire to take a first step that could lead to progress toward a negotiated reunification. On the surface, no step seriously proposed by Western Europeans would be acceptable to Moscow. What the proponents do seek to offer is something sufficiently attractive to cause the Soviet Union to make a counterproposal that might in turn lead to productive negotiations on the 12-year-old impasse.

German Suggestions

The West German government's approach is one of formula-seeking. Bonn insists it has no intention, however, of making any move that would damage its good relations with the West, especially the United States, even for the sake of unification. At the same time, the Germans fear the Western big three might come to some arrangement with Moscow that would prejudice German interests.

Chancellor Adenauer has often indicated an interest in buffer zones as a way of demonstrating to Moscow that a united Germany in a Western alliance would not necessarily advance the position of NATO forces to the east. As long ago as the 1953 election campaign, he proposed that as Germany is unified, all of East Germany and an equal area east of the Oder-Neisse line should be demilitarized. As recently as 25 April, in talking with Soviet ambassador Smirnov, Adenauer suggested a similar

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solution, but with the demilitarized zone limited to East Germany, according to his statement to reporters.

Of opposition plans, that of the Free Democratic Party's defense expert Erich Mende has attracted the most attention. This calls for a united Germany outside NATO, with NATO forces remaining in the Ruhr and on the west bank of the Rhine, and Soviet forces withdrawing to the Oder-Neisse line.

Most reunification plans involve a new security pact including both the US and the USSR. The opposition Social Democrats would have such a pact replace both NATO and the Warsaw alliance, and even government spokesmen do not rule out the possibility of Germany's leaving NATO under certain circumstances. Early this year, Foreign Minister Brentano said Bonn was willing to find new forms of living side by side with the Soviet bloc, and that this could be done within existing pact systems or within systems still to be created. Defense Minister Strauss has stated that "the hard political realities" could conceivably call for a neutral position, which he compared to Austria's.

British Ideas

In Britain, the proposals offered by Sir Anthony Eden at the Geneva "summit" conference in 1955, though soon abandoned, have provided a starting point for others. Eden's original proposals had three facets: 1) a mutual defense pact among the big four and a united Germany; 2) agreement on the total of forces and armaments "of each side in Germany and the countries neighboring Germany," including a system of reciprocal control; and 3) a demilitarized area between East and West, not necessarily confined to Germany.

British public interest now centers on ideas advanced by Labor Party leader Gaitskell. Formulated just after the Hungarian uprisings, they call for a neutral belt comprising Poland, Czechoslovakia, Hungary, and a united Germany, with their security guaranteed by the great powers and their own national armed forces limited and internationally controlled. Support for Gaitskell's general approach includes that of the London Times.

For the Conservative government, Foreign Secretary Lloyd has publicly warned against anything that would tend to dismantle NATO, as threatened in the Gaitskell plan. Nevertheless Lloyd reportedly sees a need for "more positive" steps on the reunification question. In his talks with Adenauer from 7 to 9 May, Prime Minister Macmillan expressed his agreement with the chancellor's proposal for a demilitarized eastern zone in a reunified Germany retaining membership in NATO. The chief British delegate to the US-UK-French-West Germany working group meetings on German reunification believes this plan should be recommended for inclusion in Western notes to the USSR.

Other Western Views

French public opinion is concerned over the possible loosening of Germany's NATO ties, and the government is trying to bind the Federal Republic more firmly to the West through greater co-ordination of arms production. On 12 May, however, some French experts were reported in the press as believing that a demilitarized zone might offer a chance of breaking the deadlock on disarmament.

In other Western European countries, there is only scattered support or interest in special security proposals. In

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Italy, support for a neutral belt has come largely from left-center and Nenni Socialist sources. Shortly before the present government crisis began, two cabinet supporters of President Gronchi urged Foreign Minister Martino to push such a plan. Dutch Socialists gave Gaitskell a cold reception when he presented his neutral belt plan to them in March, and the Benelux countries generally oppose any relaxation of Bonn's NATO ties. In Norway, however, the head of the Storting's foreign affairs committee has advocated examination of the Gaitskell plan.

Soviet Interest

Increased interest by the Soviet Union in a neutral, demilitarized zone in Europe is evident in recent official pronouncements. Moscow's concept of such a zone, however, is based on the continued existence of two German states. The USSR is not likely to agree at this time to any alteration of the status quo in East Germany which would involve the withdrawal of all Soviet forces stationed there. Its efforts to stimulate interest in plans for demilitarized or neutral zones are

designed to encourage Bonn to withdraw from NATO and to halt the trend toward European integration.

In his letter of 20 April to Prime Minister Macmillan, Soviet premier Bulganin said the Soviet Union was ready "to resume discussion" of the Eden plan on the condition that the USSR's "corresponding proposals would also be examined, such as for a zone of aerial survey in Europe." In future negotiations, the USSR may propose that its aerial inspection plan covering a zone 500 miles on either side of the East-West line in Europe be linked to a neutralized zone.

On 29 April, the Soviet delegate to the London disarmament talks restated Moscow's concept of such a zone. It would include both parts of Germany and the adjacent states. Ceilings would be placed on the forces of the United States, Britain, France, and the Soviet Union in the zone. Nuclear military formations and the location of nuclear weapons there would be prohibited, and a joint inspection plan would ensure enforcement. [REDACTED]

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MIDDLE EAST OIL DEVELOPMENTS

Middle East crude production is slowly increasing after falling from an all-time high [REDACTED]

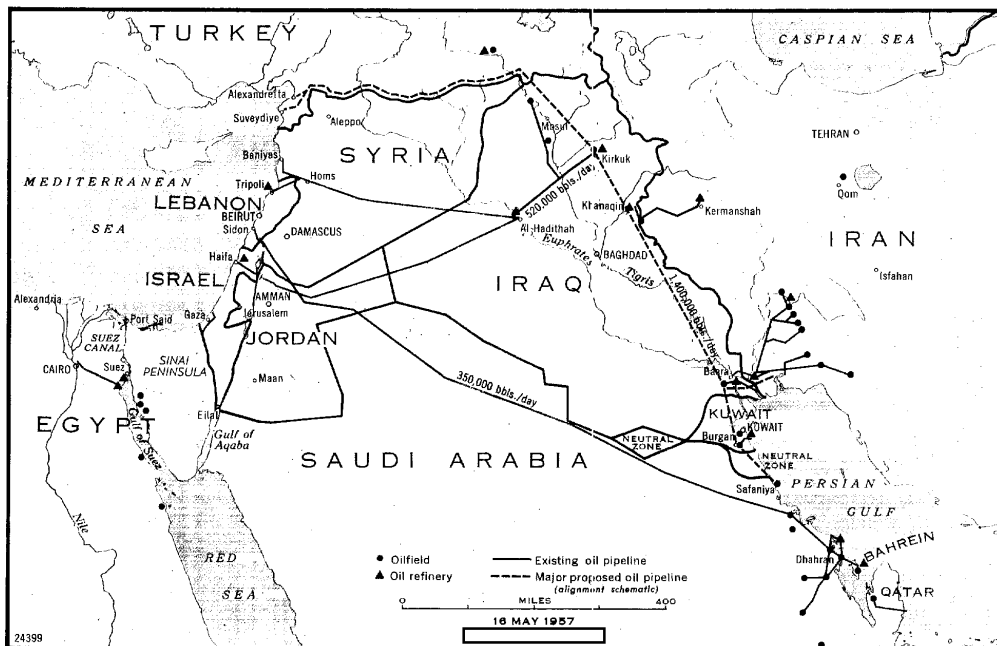
Recovery rates for individual countries vary markedly. Production in Iraq was hit hardest and was still down 76 percent compared to October. Iraq has suffered the greatest loss of revenue, but the loss is being felt most strongly in Saudi Arabia. Iran was conspicuous with a 12-percent increase.

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Production will continue to increase as greater numbers of tankers use the Suez Canal and as the IPC pipelines across Syria are repaired, but it is not likely to reach the October high for many months.

Iran

Despite the fact that about 53 percent--338,000 barrels a day--of its precrisis crude exports transited the Suez Canal, Iranian exports recovered quickly following the canal closure.

will continue to place profit above Arab requests for a boycott of oil shipments to Israel. Despite an order by the Shah prohibiting shipments to Israel, Tehran does not contemplate strict enforcement of the ban and Iranian crude continues to go to Israel through the Gulf of Aqaba. Iran reportedly has signed a contract to supply Israel with 500,000 tons of crude this year--about the same amount it supplied before the Suez crisis.

Saudi Arabia

The increase resulted chiefly from Iran's indifference to Arab political causes--Iran continued to sell oil to the UK and France despite the recent Arab boycott--and the fact that about 35 percent of Iranian output has always been marketed in areas independent of canal transport.

Moslem but non-Arab Iran, recalling the lack of Arab support during its oil nationalization crisis, apparently

The sharp cutback in Saudi crude production resulted not only from Egypt's closure of the Suez Canal, which had carried about 19 percent, or 200,000 barrels a day, but also to Jidda's embargo on shipments to the UK and France. Under this embargo, Saudi Arabia also halted shipments to the American refinery on

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British-controlled Bahrein Island amounting to 140,000 barrels a day--13 percent of Saudi exports.

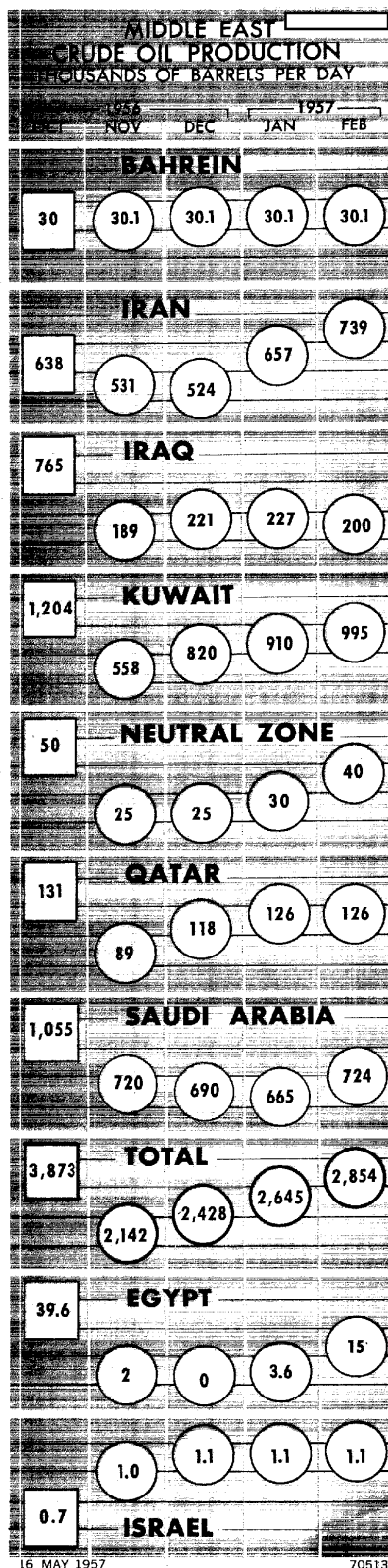
As a result of heavy dollar expenditures and the sharp cut-back in oil revenues, Saudi Arabia apparently is overextended financially and will be unable to meet current obligations without continued extraordinary borrowing. Despite a \$44,000,000 loan from the Arabian-American Oil Company (Aramco), this financial squeeze is likely to continue for several months. The total cost to Saudi Arabia of the recent crisis eventually may exceed \$100,000,000. This foreign exchange crisis had led to the development of an active dollar black market and a systematic evasion by Saudi banks of the newly established foreign exchange regulations.

Iraq

Iraq experienced the sharpest production cutback in the Middle East.

low production resulted from the sabotage of the Iraq Petroleum Company (IPC) pipelines through Syria which normally carried about 70 percent of Iraqi crude exports, and, to a lesser extent, to the closure of the Suez Canal, which accounted for an additional 10 percent. Because of the isolated position of Iraq's major producing fields, alternate shipping routes were precluded and production fell sharply. What little oil was produced--about 200,000 barrels a day--came from fields near the head of the Persian Gulf.

The cost to Iraq during November and December amounted to about \$35,000,000 in reduced oil revenues and may reach an additional \$100,000,000 this year. To avoid a slowdown in its oil-financed development program, Iraq obtained a \$14,000,000 advance from IPC in



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late March and secured an additional loan of \$56,000,000 from IPC, guaranteed by the British government, on 1 April.

While the IPC lines through Syria are now partially operative and an estimated 200,000 barrels a day are moving, the 520,000 barrel-a-day capacity of the line will not be completely restored for at least a year. The permanent pumping stations reportedly will not be repaired for some time--if ever--although temporary stations are now being built. These may raise the capacity of the line to 440,000 barrels a day by the end of the year; Iraqi production probably will not exceed 660,000 barrels a day by the end of this year.

Kuwait

Crude production in Kuwait was about 83 percent of the precrisis high by 1 March.

the bulk of Kuwaiti crude passed through the canal, some time was required to reroute shipments. Despite the canal closure, the oil companies have managed to bring production up to almost 1,000,000 barrels a day.

Because of Kuwait's enormous financial reserves, the loss of revenues will have no appreciable effect, aside from reducing the level of Kuwait's investments in foreign securities on the London market.

Arab League Petroleum Committee

At the meeting last month of the petroleum committee of the Arab League, Egypt and Syria renewed their efforts to gain a share of the profits of oil operations in the producing countries. Resolutions reportedly under discussion at

the Cairo meeting included the following:

1. That oil companies not be allowed to prospect in Arab states unless they prove their governments have no share in the company.
2. That Arab oil pass only through Arab territory to Arab shipping terminals.
3. That oil-producing Arab countries undertake measures to help Arab transit countries get a share of the profits from oil-transporting companies.
4. That league members fight any plans for Arab or Iranian oil reaching Eilat.
5. That French government holdings in the Iraq Petroleum Company be liquidated and the shares of the company be nationalized.
6. That a last warning be given Royal Dutch Shell to stop doing business in Israel.

The Iraqi delegate made excuses and did not attend the meeting. Kuwait is not a member of the Arab League. These two Arab producers and Iran account for almost 70 percent of Middle East oil production.

The first resolution, directed against British, French and Dutch oil interests throughout the Arab world, is not likely to be seriously considered by the producing countries. Neither is the second resolution, which is aimed at preventing Iraq, and to a lesser extent Kuwait, from participating in a pipeline through Turkey. In fact, the only resolutions on which unanimity might have been reached were those banning oil shipments either to or through Israel.

Current Plans

Kuwait and, to a lesser extent, Saudi Arabia have

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expressed renewed interest in building their own supertanker fleets as a result of the Suez shutdown. Iraq and, to a lesser degree, Iran are pushing the proposed pipeline through Turkey, designed to avoid all nonproducing Arab states. Iraq and Kuwait are negotiating a pipeline from the Basra fields in Iraq to a Kuwaiti deepwater port. Egypt apparently has shelved temporarily plans for a pipeline paralleling the Suez Canal. Syria is renewing pressure on IPC for increased transit payments. Israel's hope for a 16- or 32-inch line from Eilat to the Mediterranean has also dimmed considerably.

The net effect of the Suez crisis on the Middle East oil situation probably has been to define more clearly the conflicting interests between the oil-producing countries on the one hand and Egypt and Syria on the other. Egypt's nationalization of the canal has cost the producing countries tens of millions of dollars and netted them nothing. Western alternative transport plans designed to assure more independence from Egypt and Syria are now being viewed in a generally favorable manner by Arab oil producers.

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SINO-SOVIET CAMPAIGN TO DEVELOP ASIAN-AFRICAN FRONTS

The Sino-Soviet bloc since early 1956 has stepped up its efforts to create Communist fronts throughout Asia and Africa which will attract the support of non-Communist nationalist forces. The basic principles of these fronts--independence, neutralism and anticolonialism--serve the main Sino-Soviet foreign policy goal of destroying Western influence through exploiting anti-Western nationalism. Asian intellectuals and workers are the principal targets of the front efforts, and the geographical focus at present is the Middle East, but in organizational efforts and initiatives, Indians and Japanese play important roles. While organized participation from Black Africa would appear essential, there are as yet no vehicles for such an effort.

Asian Solidarity Committee

The principal area-wide front organization, the Asian Solidarity Committee, was created following the 1955 Asian countries' conference in New Delhi, which was a nongovernmental, Communist-controlled meeting preliminary to the Bandung conference. The bloc has now developed this front to the point of calling an Asian-African solidarity conference to be held in Cairo in October, with Nasr's approval. The non-Communist Indian secretary of the committee, Dr. Anup Singh, declared that the Cairo conference will seek "cultural and economic cooperation among the peoples of Asia and Africa."

It is likely that other front and pro-Soviet groups, such as the Arab peoples' conference and the Islamic Congress, will associate themselves with the conference and

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participate in its planning and execution. Preparations will undoubtedly include an effort to ensure a strong African representation, in line with the committee's desire to expand from an Asian to an Afro-Asian movement. Bloc representatives will undoubtedly exploit the conference to establish a closer popular identification of the Asian and African nations with Communist nations on issues such as anticolonialism, and will endeavor to influence the conference to adopt positions generally consistent with Communist policy.

The committee is heavily staffed with Communist-front personnel from within and outside the bloc. Since February 1956 national committees have been established in Communist China, the USSR, North Korea and North Vietnam. In non-Communist Asia, committees exist in Japan, India, Ceylon and Burma.

Asian Writers' Conference

One of the main targets of front activity is the establishment of influence over Asian intellectuals. A joint effort was made by the USSR, Communist China, and the Indian Communist Party at the Asian writers' conference in New Delhi last December. Although Communists dominated preparations for the conference and the USSR and Communist China both offered financial aid, their attempts to create a permanent organization were frustrated by non-Communist Indian opposition. The next conference is to be held in the USSR, and the attempt to organize it permanently will probably be renewed there.

The genesis of the writers' conference, as in the case of the Asian Solidarity Committee, dated back to discussions at World Peace Council meetings

in Stockholm and Helsinki and at the Asian countries' conference in New Delhi in 1955.

Trade Union Conference

Fathi Kamel, general secretary of the International Confederation of Arab Trade Unions, and Tung Hsin, secretary of the All-China Federation of Trade Unions, issued a statement in Cairo on 19 April calling for a broad Asian-African trade union conference to "discuss common problems facing the workers" in these areas and reiterating the anticolonialist theme of the Bandung conference.

Communist China has led bloc initiative in proposing an Asian-African workers' conference. Such a conference would be the first step in organizing the workers of Asia and Africa upon whom, from the Communist point of view, the fortunes of Communism in the area ultimately will depend.

General Characteristics

Communist-front activities in Asia, particularly those of the Asian Solidarity Committee, have been marked by a heavy emphasis on the Chou-Nehru "five principles" of coexistence and the neutralist themes of the Bandung conference. In calling the Cairo conference, the Communists may be seeking a second Bandung conference at a later date. Communist China and the USSR have generally avoided direct suggestions that a second conference be held, but Peiping has heartily seconded initiatives along this line by non-Communist Asian leaders. The unofficial joint communique issued during the visit of the Japanese Socialist delegation to Communist China in April included such a demand.

Communist elements in these front organizations

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have avoided assuming organizational initiative, contenting themselves with controlling and directing developments, while seeking non-Communist spokesmen. For example, Mrs. Rameshwari Nehru--Nehru's aunt by marriage--writing in the first issue of the Asian Solidarity Committee's quarterly review, comments that her article entitled "A Note on India's Neutrality" was written "especially to show how two countries like Russia and India, in spite of following different political and economic systems, could stand together and appreciate each other's point of view." The central leadership of the Asian Solidarity Committee has been,

in the words of a Chinese Communist representative, "entrusted to our Indian friends," and has its headquarters in New Delhi.

Moscow and Peiping complement each other in Asian front activities, but the Chinese Communists seem to be assuming overt leadership of the Communist effort. The Asian writers' conference and the Solidarity Committee have firmly established the USSR as an Asiatic state within the terms of reference of these groups. Communist China's voice, however, will probably continue to be loudest in Asian fronts.

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